

2018

2018 Financial Statements

(with independent Auditor's Report)



Union for the Mediterranean
Union pour la Méditerranée
الإتحاد من أجل المتوسط



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INDEPENDENT AUDITOR'S REPORT

To the Secretariat of the Union for the Mediterranean

Opinion

We have audited the financial statements of the Union for the Mediterranean Secretariat (UfMS) (the Organisation), which comprise the statement of financial position as at December 31, 2018, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Organisation as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11 July 2019

MOORE STEPHENS ADDVERIS
AUDITORES Y CONSULTORES, S.L.P.
Aribau, 153, entlo. 1ª, 08036 Barcelona, Spain



Jorge Blanquer Ruiz
Partner



FINANCIAL STATEMENTS OF THE UNION FOR THE MEDITERRANEAN SECRETARIAT

The Financial Statements of the Union for the Mediterranean Secretariat for the year 2018 have been prepared in accordance with the relevant financial provisions of the UfMS Statutes and with the accounting principles, rules and methods set out in the notes to the financial statements.

We have obtained all the information necessary for the production of the accounts that show the UfM Secretariat assets and liabilities and the budgetary implementation.

We hereby certify that based on this information, and on such checks as we deemed necessary to sign off the accounts of the UfM Secretariat, we have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash flows of the UfMS.

Deputy Director of Administration: Omar Rakib

Signature:

Date: 01/07/2019

Director of Legal and Administration: Evagoras Vryonides

Signature:

Date: 01/07/2019

Secretary General: Nasser Kamel

Signature:

Date: 01/07/2019



FINANCIAL STATEMENTS AND NOTES

1. Statement of Financial Position;
2. Statement of Financial Performance;
3. Statement of Cash Flow;
4. Statement of Changes in Net Assets/Equity;
5. Statement of Comparison of Budget and Actual Amounts;
6. Notes to the financial statements.



1. Statement of financial position

	Note	2.018	2.017
ASSETS		EUR	EUR
Current Assets			
Cash and cash equivalents	4	3.899.287	5.791.648
Receivables	5	1.517.791	1.124.035
Inventories			
Prepayments	7	33.259	4.060
Other current assets	7	53.872	97.706
Total current assets		5.504.209	7.017.449
Non-current assets			
Receivables			
Investment in associates			
Other financial assets	10	70.800	
Infrastructure, plant and equipment	8	646.689	510.727
Land and buildings			
Intangible assets	9	112.926	179.456
Other non-financial assets			
Total non-current assets		830.415	690.183
Total assets		6.334.625	7.707.632
LIABILITIES			EUR
Current Liabilities			
Payables	12	1.536.903	1.911.952
Contribution received in advance	13	2.111.153	4.141.102
Deferred contributions	13	1.192.282	913.830
Short-term provisions/Accruals	12	718.666	42.350
Short-term borrowings			
Current portion of long-term borrowings			
		5.559.003	7.009.234
Non-current liabilities			
Payables			
Long-term borrowings			
Long-term provisions			
Employee benefits			
		0	0
NET ASSETS/EQUITY			
Capital Grant Member States & EC	16	722.240	634.118
Other capital Grant received	16	37.376	56.065
Reserves			
Accumulated surplus/(deficit)	16	16.006	8.215
		775.622	698.398
		6.334.625	7.707.632



2. Statement of financial performance

	Note	2018	2017
Revenue	17	EUR	EUR
<i>European Commission Contribution</i>		3.997.193	3.625.427
<i>Member States contribution</i>		1.164.828	1.208.749
<i>Capital grant transfer to results</i>		226.450	198.711
<i>Services in-kind</i>		2.063.497	2.261.312
<i>Other Revenue</i>		1.338.530	762.765
<i>Interest revenue</i>			61
Total revenue		8.790.498	8.057.025
Expenses	18		EUR
<i>Wages, salaries and employee benefits</i>		4.452.048	3.792.818
<i>Operating expenses</i>		2.931.092	2.746.398
<i>Grant and other transfer payments</i>			0
<i>Supplies and consumable used</i>		1.173.116	1.321.268
<i>Depreciation and amortization expenses</i>		226.450	198.711
<i>Impairment of property, plant and equipment</i>			0
<i>Other expenses</i>			0
<i>Finance costs</i>			0
Total expenses		8.782.707	8.059.195
Surplus/(Deficit) for the period		7.791	-2.170



3. Cash flow Statement

	2.018	2.017
Cash flow statement from operating activities	EUR	EUR
Receipts		
<i>Taxation</i>		
<i>Sales of goods and services</i>		
<i>Grants</i>	4.670.703	6.872.374
<i>Interest received</i>		61
<i>Other receipts</i>	215.393	149.542
Payments		
<i>Employee costs</i>	-2.442.653	-2.330.654
<i>Suppliers</i>	-3.867.778	-2.714.001
<i>Interest paid</i>		
<i>Other payments</i>	-55.266	-88.693
Net cash flows from operating activities	-1.479.601	1.888.629
Cash flows from investing activities		
<i>Purchase of plant and equipment</i>	-412.760	-308.142
<i>Proceeds from sale of plant and equipment</i>		
<i>Proceeds from sale of investments</i>		
<i>Purchase of foreign currency securities</i>		
Net cash flows from investing activities	-412.760	-308.142
Cash flow from financing activities		
<i>Proceeds from borrowings</i>		
<i>Repayment of borrowings</i>		
<i>Distribution/dividend to government</i>		
Net cash flows from financing activities		
Net increase/(decrease) in cash and cash equivalents	-1.892.361	1.580.487
<i>Cash and cash equivalents at beginning of period</i>	5.791.648	4.211.162
<i>Cash and cash equivalents at end of period</i>	3.899.287	5.791.648



4. Statement of changes in Net Assets/Equity

	Contributed Capital	Capital Grant	Other Reserves	Accumulated Surpluses/(Deficits)	Total
Balance at December 31, 2016 carried forward	0	650.365	0	10.385	660.750
<i>Changes in net assets/equity for 2017</i>					
Loss on property revaluation					0
Gain on revaluation of investments					0
Exchange differences on translating foreign operations					0
Net revenue recognized directly in net assets/equity		39.818			39.818
Deficit/surplus for the period				-2.170	-2.170
Total recognized revenue and expense for the period	0	39.818	0	-2.170	37.648
Balance at December 31, 2017 carried forward	0	690.183	0	8.215	698.398
<i>Changes in net assets/equity for 2018</i>					
Loss on property revaluation					0
Gain on revaluation of investments					0
Exchange differences on translating foreign operations					0
Net revenue recognized directly in net assets/equity		69.432			69.432
Deficit/surplus for the period				7.791	7.791
Total recognized revenue and expense for the period	0	69.432	0	7.791	77.223
Balance at December 31, 2018 carried forward	0	759.615	0	16.006	775.621



5. Statement of Comparison of Budget and Actual Amounts

Actual amount FFSS versus Actual Amount Budget											
	note ref.	Original Budget 2018	Actual Budget 2018	Actual FFSS 2018	Difference Actual FFSS and Actual Budget	EASME grant agreement	Services in kind (Rent office)	Assets	Others	Difference Original Budget and Actual (FFSS)	Difference Original Budget and Actual Budget
Revenue											
	22										
		4.210.000	4.040.290	3.997.193	-43.097	104.844		-147.942		212.807	169.710
		1.800.000	1.312.770	1.164.828	-147.942			-147.942		635.172	487.230
				226.450	226.450			226.450		-226.450	0
		1.800.000	1.398.333	2.063.497	665.164	30.352	634.812			-263.497	401.667
		610.000	1.329.187	1.338.530	9.343				9.343	-728.530	-719.187
					0					0	0
		8.420.000	8.080.580	8.790.498	709.918	135.196	634.812	-69.433	9.343	-370.498	339.420
Expenses											
	22										
		3.113.000	2.891.926	2.931.092	39.167	39.454			-288	181.908	221.074
		2.987.000	2.956.194	3.023.363	67.169	67.169				-36.363	30.806
		1.600.000	1.398.333	1.428.685	30.352	30.352				171.315	201.667
		700.000	834.127	1.173.116	338.990		634.812	-295.883	61	-473.116	-134.127
					0					0	0
				226.450	226.450			226.450		-226.450	0
					0					0	0
		20.000			0					20.000	20.000
					0					0	0
		8.420.000	8.080.580	8.782.707	702.127	136.975	634.812	-69.433	-227	-362.707	339.420
		0	0	7.791	7.791	-1.779	0	0	9.569	-7.791	0
Surplus/(Deficit) for the period											



NOTES ON FINANCIAL STATEMENT

NOTE 1. GENERAL INFORMATION

The Union for the Mediterranean (UfM) was established on 13 July 2008 at the Paris Summit as a continuation of the Euro-Mediterranean Partnership (Euro-Med), also known as the Barcelona Process, launched in 1995.

The UfM constitutes a framework for political, economic and social relations between the European Union and the Southern and Eastern Mediterranean countries and is inspired by the goals set out in the Barcelona Declaration, namely working towards the creation of an area of peace, stability, security and shared economic prosperity, as well as full respect of democratic principles, human rights and fundamental freedoms and promotion of understanding between cultures and civilizations in the Euro-Mediterranean region.

The Secretariat of the Union for the Mediterranean was established by a decision of Heads of State and Government of the UfM and its Statutes were adopted on 3rd March 2010 by a decision of the Senior Officials of the Member States.

Governance

Based in Barcelona, the Union for the Mediterranean comprises the 28 EU member states, the European Commission and 15 Mediterranean countries.

The members of the Union for the Mediterranean meet on a regular basis at the level of Senior Officials from the Ministries of Foreign Affairs of the 43 countries, EU institutions and the League of Arab States. The Senior Officials Meetings (SOM) oversees and coordinates the work of the Union for the Mediterranean. They approve the budget and the work programme of the Secretariat and prepare ministerial meetings. They also discuss the project proposals submitted by the Secretariat for approval and endorsement. Senior Officials take decisions by consensus.

The meetings of the Union for the Mediterranean are chaired by a twin co-presidency, one from the European Union side and the other from the Mediterranean side. The twin co-presidency principle applies to all levels: summits, ministerial meetings, and officials' level meetings.

Mission and mandate

The mandate and mission of the Secretariat of the Union for the Mediterranean (hereinafter UfMS/ the Organization) have been defined in the Paris and Marseille Declarations as well as in the Statutes adopted on 3 March 2010. It is recalled that the mandate of the UfM Secretariat focuses on identifying, processing, promoting and coordinating regional projects, which are in line with the principles and rules of international law, enhance and strengthen cooperation and positively impact the lives of citizens.

It is also recalled that on establishing the UfM, the Heads of State and Government identified six priority areas in the final declaration of the Paris Summit:



- De-pollution of the Mediterranean
- Maritime and land highways
- Civil protection
- Alternative energies: Mediterranean solar plan
- Higher education and research, Euro-Mediterranean University
- The Mediterranean Business Initiative

A Headquarters Agreement between Spain and the Secretariat grants the Secretariat privileges and immunities for carrying out its activities.

The Organisation is funded primarily by voluntary contributions from its member countries as well as by these contributions' equivalents from the European Union's budget, within the framework of an annual Work Programme and Budget adopted by Senior Officials on annual basis. Note 3.11, note 3.12 and note 21 give further details of the income and expenditure budget and actual results for 2017.

Before 1st of October of each year, the Secretary General, together with the concerned Deputy Secretary General, submit to the Senior Officials the draft annual budget for the revenue and the expenditure of the Secretariat. Senior Officials adopt the annual budget with any amendments deemed proper and return the budget for implementation to the Secretariat by 1st December of the same year. The financial year of the Secretariat is the calendar year.

NOTE 2. BASIS OF THE PREPARATION AND PRESENTATION

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB), based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB). When IPSASB does not prescribe any specific standard, IFRSs and IASs are applied.

The principal accounting policies adopted are set out below.

2.1. Financial Statements

In accordance with IPSAS 1, a complete set of financial statements have been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Cash Flow;
- Statement of comparison between approved Budget and Actual Amounts;
- Notes to the financial statements, comprising a summary of significant accounting policies and other relevant information.

2.2. Materiality and the use of judgments and estimates

The materiality will be considered in determining whether, for example, a particular accounting policy should be adopted or a point of information should be separately disclosed in the financial statements of



the entity. Also, the materiality of an item should be considered when determining whether the omission or misstatement of a point of information could undermine not only the relevance, but also the faithful representation, understanding or verifiability of financial and non-financial information presented.

The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

2.3. First-time adoption of IPSAS and transitional provisions

The first set of financial statements prepared in accordance with IPSAS was performed in 2015. The adoption of IPSAS required changes to the accounting policies previously followed by the UfM Secretariat in the following aspects:

- Fixed assets (*See note 3.6*)
- Right of use of the premises (*See note 3.14*)
- Contributions in kind (*See note 3.14*)

Use of transitional provisions and early adoption of accounting policies are permitted on the initial adoption of IPSAS. Transitional provisions have been applied in the initial recognition of assets.

2.4. Going Concern

The financial statements have been prepared on a going concern basis. Management has a reasonable expectation that the Organisation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Statutes provisions, the regular meetings of Senior Officials of Member States (SOM), the Work Programme and the Budget approved by Member States, together with the annual Grant from the European Commission constitute the key factors confirming the continuity of UfM and UfM Secretariat.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency

All assessed contributions are payable in euros. Voluntary and dedicated contributions are accepted in euros and other currencies. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rates prevailing on the date of the Statement of Financial Position.

Foreign-currency transactions are recorded at the exchange rates prevailing on the dates of the transactions.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date as per InforEuro¹ exchange rates. Both realised and unrealised gains and losses resulting from the settlement of such transactions, and from the retranslation at the reporting date of assets and liabilities denominated in foreign currencies, are recognised in the Statement of Financial Performance.

3.2. Cash and cash equivalents

Cash and cash equivalents are held at nominal value and comprise cash on hand, cash at banks and short-term deposits.

¹ http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm



3.3. Accounts receivable

The balance of accounts receivable includes, amounts due from Member States for assessed contributions and from Member States and other contributors for voluntary and dedicated contributions. Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the Organization will not be able to collect all amounts due according to the original terms of receivables.

3.4. Prepayments

The UfMS regularly incurs expenses that are either paid periodically or as one off. When such expenses are prepaid, an asset is recognized. This is charged to expenses gradually as the prepaid expense is consumed. Prepayments allow costs to be apportioned over more than one reporting period rather than being expensed when paid.

Prepayments shall be recognized as current asset at transacted amount when a prepayment is made. Prepaid expense will be charged as an expense on a systematic and rational basis related to use.

3.5. Other Current Assets

Other current Assets are composed for other receivables, such as deposits with suppliers, credited amounts from tax office, staff advances, etc. different from contributions. The other current assets are recognized when revenue is earned but cash or its equivalent is yet to be received.

3.6. Other financial assets

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

3.7. Infrastructure, plant and equipment

Infrastructure, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method, except for land, which is not subject to depreciation. The estimated useful lives for the assets are provided in the table below.

<i>Tangible Assets</i>	<i>Linear coefficient</i>	<i>Estimated useful life (in years)</i>
Land	N/A	N/A
Vehicles and transport	10%	10
Furniture	10%	10
Office equipment	10%	10
Communications equipment	20%	5
IT equipment	25%	4
Other equipment	33%	3



The threshold established by the Organization to consider an item² as an asset is above 100€, under this amount it will be considered as an expense for the period, as long as the sum of these amounts on a yearly basis is not over 15.000 €.

A transitional provision was applied in the initial recognition of infrastructure, plant and equipment that were purchased or donated before 1st January 2015. Assets in the form of infrastructure, plant and equipment acquired prior to 1st January 2015 were expensed at the date of purchase and were not recognized as assets. Those assets were recognized by 1st January of 2015 and the initial effect of the recognition of infrastructure, plant and equipment was shown as an adjustment to the opening balance of 2015 as non- current assets. According to IPSAS these financial statements include quantitative information corresponding to the previous year, so the comparative figures have been restated.

Capital grants are awarded by the European Commission, Member States or International/ Governmental public entities or other private entities for the establishment or acquisition of non-current assets, in accordance with the recognition and measurement standards. Capital grants are recorded on the liability side of the financial position at the amount granted and transfer to result at the same rate of the transfer of non-currents assets to result.

Depreciation and impairment reviews are undertaken for all assets at least annually.

3.8. Intangible assets

Intangible assets are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for intangible assets over their estimated useful life using the straight-line method. The estimated useful lives for the assets are provided in the table below.

<i>Intangible Assets</i>	<i>Linear coefficient</i>	<i>Estimated useful life (in years)</i>
Software	33%	3
Licences and rights	33%	3

The threshold established by the Organization to consider an item³ as an asset is above 100€, under this amount it will be considered as an expense for the period, as long as the sum of these amounts on a yearly basis is not over 15.000 €..

A transitional provision was applied in the initial recognition of intangible assets that were purchased or donated before 1st January 2015. Intangible assets acquired prior to 1st January 2015 were expensed at the date of purchase and were not recognized as intangible assets. Those assets were recognized by 1st January 2015 and the initial effect of the recognition of intangible assets is shown as an adjustment to the opening balance of 2015 as non- current assets.

² Items can be composed by group of sub-items of the same nature or complementary of each other.

³ Items can be composed by group of sub-items of the same nature or complementary of each other.



3.9. Accounts payable and accrued liabilities

Accounts payable are financial liabilities in respect of goods or services which were acquired and received by the UfMS and for which the invoices were received from the suppliers.

Accruals are liabilities for goods and services which were received by or provided to the UfMS during the year and which were not invoiced by suppliers as at the reporting date.

3.10. Contributions in advance and Deferred revenues

Contributions in advance and deferred revenues arise from Agreements between the UfMS and its contributors – including governments, international organizations, and private and public institutions. Deferred revenue is recognized when:

- A contractual Agreement is confirmed in writing by both the Organization and contributor; and
- the funds are earmarked and due in a future period.

Contributions in advance include any advances from non-exchange transactions.

Contributions in advance and deferred revenues are presented as non-current if the revenue is due one year later than the reporting date.

3.11. Provisions and contingent liabilities

Provisions are made where the UfMS has a present legal or constructive obligation as a result of past events and it is probable that the UfMS will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the UfMS.

3.12. Revenue

Revenue comprises gross inflows of economic benefits or service potentially received and receivable by the UfMS during the year, which represent an increase in net assets/equity. The Organization recognizes revenue following the established criteria of IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions).

The main sources of revenue for UfMS include but are not limited to **(Non-exchange revenue)**

- European Commission contribution. The contribution is recorded when a binding Agreement is signed between both parties.
- Member States contributions. Voluntary and dedicated contributions as well as pledges of voluntary contributions confirmed in writing (Agreements, letters, mention in minutes of flash records of Senior Official Meetings, e-mail) are recognized as non-exchange transactions as per the International Public Sector Accounting Standard 23, "Revenue from non-exchange transactions (taxes and transfers).
- In-kind contributions of goods and services. In-kind contributions of goods and services that directly support approved operations and activities and can be reliably measured, are recognized and valued at fair value. These contributions include the use of premises, utilities and personnel. In-kind contributions of goods are treated as both revenue and assets upon receipt of the goods. In-kind contributions of services are treated as both revenue and expense upon recognition. The



revenue is recognised when the expenditure has been incurred, which is when specific performance conditions are met.

When the revenue is received but the expenditure does not incur, it is reported as advance contribution on the Statement of financial position. The excess of funds treatment depends on the conditions of the related Agreement. Thus, it will be recognised as deferred contribution or as a liability waiting to be returned to the grantor.

3.13. Dedicated Contributions

In addition to general contributions to the UfMS annual Budget, Member States or any other contributors (international organisations, private sector entities, foundations, etc.) may provide dedicated contributions. These contributors participate to the financing of the UfM Secretariat's core activities (Operational Budget) earmarking their funds/resources to a specific sector, activity, operation etc. These contributions are framed through written arrangements and/or conventions of partnership including provisions of cost-sharing, where applicable, settlement of final amount and specific reporting. Funds (contribution in real figures) are used in accordance with UfMS rules and procedures.

3.14. Expenses

In accordance with the accrual basis of accounting, expense recognition occurs at the time of the delivery of goods or services by the supplier or service provider. Expenses are recorded in the accounting records and recognized in the financial statements of the period to which they relate.

3.15. Non-exchange transaction

In a Non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without receiving approximately equal value in exchange.

Goods in kind/Assets in kind

At the establishment of the UfM Secretariat, the local authorities (Generalitat de Catalunya) provided the Organization with equipment and furniture for its functioning at its headquarters in Barcelona- Spain. These goods received by the Organization are recorded as assets and have the same treatment in terms of nature (capital grant in form of assets) and in terms of impairment and depreciation.

Services in kind

Services in-kind are voluntary services provided to the UfMS by an individual or individuals or any other contributor. Such services may include free technical assistance (expertise, studies, etc.), services of conference organization or secondment of staff from other governments or international organizations. For transactions where the recipient entity considers that the donor/grant-giver has imposed conditions, they will set up a liability for the obligation generally to the value of the money received, which will be reduced as the conditions are satisfied (by spending the money or through other actions) in accordance with the Agreement. There is no such requirement for grants with restriction and revenue is recognized immediately.

Staff Cost

The UfMS has recognised staff cost as services in kind in the Performance Statement both as



income and expenses in accordance with certificates/supporting documents provided by the sending administration or organization of seconded members of staff. Thus, there is no final impact on the Performance Statement.

Office Rent

Services in kind- representing the provision of premises (Palau de Pedralbes) free of charge as per the Headquarters Agreement, is recognised as per IPSAS 23 revenue from non-exchange transactions. Thus, there is no final impact on the Performance Statement.

Technical assistance and services of conference's organization

These services are recognised as non-exchange transactions in line with IPSAS 23. Thus, there is no impact on the performance statement.

Co-organization of conferences and workshops

In case where the UfMS, on the basis of Agreements, provides or contributes to the logistical organization or resources and services to third parties, related expenditure is registered as usual without specific different accounting treatment.

As the above-mentioned Agreements are arrangements of cost sharing of conferences, related third parties are contributing in kind to the concerned conferences. Those contributions are not recognized in the accounts unless the concerned conferences or workshops are substantially or exclusively in the benefit of the UfMS. Furthermore, in order to be recognized in the accounts, reliable data on the value of these contributions is to be provided by the third party in reasonable time.

3.16. Statement of cash-flow

The statement of cash-flow is prepared using the direct method.

3.17. Comparison between approved Budget and Actual Amounts

The UfM Secretariat Budget preparation and approval follows the Statutes provisions, namely Section IX "Budget of the Secretariat" and internal implementing procedures and circulars. The approved budget covers the fiscal period from January 1st to December 31st.

The budget framework follows partially cash-based system, for instance treatment of assets, provisions and some resources in-kind follow cash-based procedure: the purchase of assets (equipment, furniture, etc.) is expensed, provisions (i.e. provisions for risks) and some resources in kind-as not generating an actual flow of funds- are not reflected in the budget.

The budget is presented for adoption on the basis of Activity Based Budgeting (ABB) methodology for the Heading "Activities-Operational" as per the matrix below:

- a) Actions' instruments on the UfMS interventions in support of initiatives and projects/programmes cycle and regional cooperation.
 - 1. Technical support for projects and activities
 - 2. Platforms, regional expert's groups meetings and conferences
 - 3. Outreach and visibility of projects and activities
 - 4. Follow-up and monitoring missions for projects and activities



b) Core Activities:

1. Promoting regional dialogue: based on policy guidelines given by UfM Member States in terms of regional policy platforms in the framework of its mandate, the Secretariat is contributing to operationalize decisions taken at political level.
2. Promoting regional projects and initiatives: in this respect, priority is given to support, monitor and follow up the implementation of already labelled projects as well as to develop project pipelines as appropriate in order to maintain a balance between delivering results on the ground and developing new activities.

Member States contributions and the European Union Contribution are, as per the Statutes, provided on voluntary and balanced basis. Contributions of Member States can be delivered in two forms: in real figures and in terms of Human resources provisions (in kind).

The contribution of the European Commission is framed on a yearly basis through a Grant Agreement which foresees:

1. The eligibility rules of the expenditure
2. Rule of co-financing (i.e. Member States 50%- European Commission 50% for 2018)
3. Period of implementation

In addition to annual contribution of Member States other funds or resources can be provided as dedicated contribution from MS or other entities (international organizations, foundations, etc.).

The financial statements are prepared on the accrual basis, following IPSAS, using a classification based on the nature of expenses in the statement of financial performance, for the fiscal period from January 1st to December 31st. The financial statements and budget documents are prepared for the same period.

Reconciliation between the actual amounts on a comparable basis is presented in the Statement of Comparison of Budget and Actual Amounts (in similar format and classification schemes as the Statement of Financial Performance).

NOTE 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2018	2017
Cash on hand and balances with banks	3.816.287	5.791.648
Short-term deposit	83.000	
	3.899.287	5.791.648

Short term deposit has been contracted for the purpose of cancelling at its final maturity in 2019.

NOTE 5. RECEIVABLES

All contributions receivables were recorded as revenue in the year in which the donor's contribution was confirmed in writing (Agreements, letters, mention in minutes of flash records of Senior Official Meetings, e-mail). The receivable balance includes outstanding amounts which are split between current and non-current based on when the amounts become due. At 31st December of 2018, the amount shown in the



Statement of financial performance is detailed as follows:

	2018	2017
Current contributions receivable		
European Commission	1.517.791	1.044.035
Member States		80.000
Other donors		
Other receivable		
Total current contributions receivable	1.517.791	1.124.035

NOTE 6. INVENTORIES

UfMS has no inventories to report

NOTE 7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments are payments made in advance of the period to which the expense relates and include advances to suppliers and insurance (the payment of which is deferred in monthly amounts over the year). Value-added tax (VAT) receivables relate to amounts which are due to be reimbursed to the UfMS by the Spanish Government.

	2018	2017
Prepayments	33.259	4.060
Deposits with suppliers		
Value-added tax receivables	53.872	97.706
Staff advances		
Other receivables		
Total other current assets	87.131	101.766

NOTE 8. INFRASTRUCTURE, PLANT AND EQUIPMENT

IPSAS 17 allows a period of up to five years before requiring full recognition of infrastructure, plant and equipment. Assets in the form of infrastructure, plant and equipment acquired prior to 1st January 2015 were expensed at the date of purchase and had not been recognized as assets. Those assets were recognized by 1st January of 2015 and the initial effect of the recognition of infrastructure, plant and equipment was shown as an adjustment to the opening balance of 2015 as non- current assets.

Details of infrastructure, plant and equipment for 2018 are as follows:

Assets	Initial Value	Accumulated depreciation	Net Value
<i>Vehicles and transport</i>	110.262	53.787	56.475
<i>Furniture</i>	563.515	319.135	244.380
<i>Office equipment</i>	103.558	39.236	64.322
<i>Communications and electronic equipment</i>	45.096	9.658	35.438
<i>IT equipment</i>	269.331	168.717	100.614
<i>Other equipment</i>	22.738	14.401	8.337
<i>Installations</i>	137.124	0	137.124
	1.251.624	604.934	646.690



Additions, disposals of infrastructure, plant and equipment for 2018 are as follows:

(net value)	Vehicles and transport	Furniture	Office equipment	Communication equipment	IT equipment	Other equipment	Installations	Total
31st December 2017	20.170	258.754	62.663	12.971	145.804	10.364	0	510.727
Asset reclassification								0
Additions	43.028	38.374	11.902	26.114	363	2.279	137.124	259.184
Disposals					-2.208			-2.208
Revaluation adjustments								0
Write-off	-6.723	-52.748	-10.243	-3.647	-43.346	-4.306		-121.013
31st December 2018	56.475	244.380	64.322	35.438	100.613	8.337	137.124	646.690

During 2018, the UfM has acquired furniture and installations to equip new premises. The additions are shown at the end of this year and the amortization period starts in 2019 to reflect the real use of the goods.

NOTE 9. INTANGIBLE ASSETS

Intangible Assets	Initial Value	Accumulated depreciation	Net Value
Software and Licences	426.211	313.285	112.926
	426.211	313.285	112.926

(net value)	Software and licences	Total
31st December 2017	179.456	179.456
Asset reclassification		
Additions	36.699	36.699
Disposals		
Revaluation adjustments		
Write-off	-103.229	-103.229
31st December 2018	112.926	112.926

NOTE 10. OTHER FINANCIAL ASSETS

UfM has deposit a guarantee of 70.800 €, corresponding to the lease agreement for new offices.

NOTE 11. BORROWINGS

UfMS has no borrowing to report



NOTE 12. PAYABLES

	2018	2017
Accounts payable		
Suppliers	1.326.021	1.713.156
Reimbursement	33.015	49.781
Repayment of Grants		
Payables, Beneficiaries of Grants	35.933	
Other payables	141.934	124.086
Total accounts payable	1.536.903	1.887.024
Accruals		
Suppliers	93.130	42.350
Other payables	625.535	
Total accruals	718.666	42.350
Total accounts payable and accruals	2.255.569	1.929.374

NOTE 13. CONTRIBUTIONS IN ADVANCE AND DEFERRED REVENUE

	2018	2017
Contributions received in advance and Deferred Contributions		
European Commission pre-financing		2.520.000
Member states contribution in advance		30.000
Projects Contribution received in advance		35.343
Other contribution received in advance	2.111.153	1.591.102
Member states contribution (deferred)	1.066.804	684.144
Deferred contributions for projects	73.743	
Other deferred contributions	51.735	76.694
	3.303.435	4.937.284

NOTE 14. PROVISIONS FOR LIABILITIES AND CHARGES

UfMS has no provisions to report

NOTE 15. CONTINGENCIES AND CAPITAL COMMITMENT

UfMS has no contingencies to report

NOTE 16. NET ASSET/EQUITY

Capital grants awarded by the European Commission and Member States are linked to the acquisition of assets. They are recorded on the liability side of the financial position at the amount granted and transfer to result at the same rate of the transfer of non-currents assets to result.

Amounts allocated to other capital grants are linked to the assets provided by the Generalitat de Catalunya to the UfMS in 2010 and transfer to result at the same rate of the depreciation of the assets.



Details of capital grants during the year are shown in the following table:

CAPITAL GRANT	EC & MS	Other (Generalitat)	Total
31st December 2016	575.609	74.756	650.365
Additions	238.528		238.528
Capital grant transfer to result	-180.019	-18.691	-198.711
31st December 2017	634.118	56.065	690.183
Additions	295.883		295.883
Capital grant transfer to result	-207.760	-18.691	-226.451
31st December 2018	722.241	37.373	759.614

The result of the year has been a surplus of 7.791 €. Accumulated surpluses from previous period are show in the following table:

Accumulated surplus and deficit	
31st December 2016	10.385
Deficit of the period	-2.170
31st December 2017	8.215
Surplus of the period	7.791
31st December 2018	16.006

NOTE 17. REVENUE

	2018	2017
Contributions		
Member State Contributions	1.164.828	1.208.749
European Commission Contribution (EASME)	104.844	180.657
European Commission Contribution (ENI)	3.892.348	3.444.771
	5.162.020	4.834.177
Capital grant transfer to results		
Capital grant European Commission and Member States	207.760	180.019
Capital Grant Generalitat	18.691	18.691
	226.451	198.711
Services in kind		
Human Resources - in kind	1.428.685	1.526.912
Rent office - in kind	634.812	734.400
Technical assistance - in kind		
	2.063.497	2.261.312
Other Revenue (dedicated contributions & Others)		
Spanish contribution - UfM Annual Conference		50.000
Swedish International Development Cooperation Agency	1.329.187	696.990
Norwegian contribution - Administrative/indirect costs	7.973	15.774
EC Interests for late payment		
Others	1.370	
	1.338.530	762.764
Interest Revenue		
Interest Bank accounts		61
Interest European Commission bank accounts		
		61
	8.790.498	8.057.025



NOTE 18. EXPENSES

	2018	2017
Wages, salaries and employee benefits		
Personnel expenses	3.023.363	2.265.906
Contributions in kind	1.428.685	1.526.912
	4.452.048	3.792.818
Operating expenses		
Horizontal Activities	559.378	516.896
Business Development	214.661	352.149
Transport and Urban development	277.212	379.831
Energy & Climate Change	394.027	371.197
Water & Environment (*)	828.541	669.134
Higher Education and Research	181.233	221.205
Social & Civil Affairs	476.041	235.985
	2.931.092	2.746.398
Supplies and consumable used		
Leases and royalties	731.885	734.400
Repairs and maintenance	146.184	160.031
Consultancy services	80.767	104.500
Transport	5.806	2.173
Insurance	6.716	39.238
Banking and similar services	1.023	578
Advertising, publicity and public relations		
Utilities	166.234	179.548
Other services	34.501	100.800
	1.173.116	1.321.268
Depreciation		
Depreciation intangible assets	103.229	92.994
Depreciation tangible assets	123.221	105.716
	226.450	198.711
	8.782.707	8.059.195

The accrued professional fees corresponding to the year ended as December 2018 for the auditors of UfM, for the audit of Financial Statements has amounted to 9.680 €.

Leases and royalties

NOTE 19. DEDICATED CONTRIBUTIONS (FUNDS RECEIVED & SUB-GRANTING)

For the reporting period, the following arrangements for dedicated contributions have been implemented:

- Programme Agreement with Norway
- Swedish International Development Cooperation Agency
- Grant Agreement №: EASME/EMFF/2016/1.2.1.1/SI2.738983 with European Commission "Promoting the Blue Economy in the Mediterranean"

Dedicated contributions	2018
European Commission-EASME	104.844,29
Swedish International Development Cooperation Agency	1.329.187,00
Norwegian contribution - Administrative/indirect costs	7.972,51
Total Dedicated contributions	1.442.003,80



NOTE 20. FINANCIAL REVENUES AND EXPENSES

<i>Interest Revenue</i>	<i>2018</i>	<i>2017</i>
<i>Bank account interest (EC dedicated bank account)</i>		61
<i>Other bank accounts interests</i>		
	0	61

NOTE 21. PROPOSED ALLOCATION AND THE RESULTS OF THE PERIOD

According to the Statutes of the Organization, any funds remaining uncommitted at the end of each financial year shall be carried over to the budget for the following year and thereby reduce the required budgetary allocation in that following year.

NOTE 22. COMPARISON BETWEEN APPROVED BUDGET AND ACTUAL AMOUNTS

The UfM Secretariat's 2018 original budget was approved by the Senior Officials' Meeting on 11th December 2017, and the Grant Agreement with the European Commission was signed on 11th December 2017. The original budget objectives and policies and subsequent revisions are explained more fully in the explanatory note and the Work Programme, also associated to the Grant Agreement and Budget Outcomes reports issued on a semester basis in conjunction with the financial statements.

Detailed Contributions of Member States as per budgetary year have been as follows:

MEMBER STATES CONTRIBUTIONS				
<i>Countries</i>	<i>2018 Contributions in Human Resources</i>	<i>2018</i>	<i>2017 Contributions in Human Resources</i>	<i>2017</i>
<i>Algeria</i>		20.000		
<i>Bulgaria</i>		10.000		
<i>Croatia</i>		10.000		20.000
<i>Cyprus</i>	171.629	5.000	163.522	5.000
<i>Egypt</i>	108.163			
<i>France</i>	330.114	400.000	681.752	400.000
<i>Germany</i>		400.000		400.000
<i>Greece</i>		50.000		20.000
<i>Hungary</i>		40.000		
<i>Ireland</i>		25.000		25.000
<i>Italy</i>	45.000	30.000	45.000	130.000
<i>Luxemburg</i>		40.000		80.000
<i>Malta</i>	111.629		115.841	
<i>Monaco</i>		30.000		30.000
<i>Morocco</i>	76.331	70.000		
<i>Portugal</i>	358.282	20.000	346.693	20.000
<i>Slovakia</i>		10.000		
<i>Spain</i>	111.840	350.000	112.756	200.000
<i>The Czech Republic</i>		15.430		3.818
<i>The Netherlands</i>		100.000		100.000
<i>Tunisia</i>			19.838	
<i>Turkey</i>	85.346	20.000		100.000
	1.398.333	1.645.430	1.485.402	1.533.818
<i>Contributions in kind</i>		1.398.333		1.485.402
		3.043.763		3.019.220



Other contributions informed in the Budget of 2018 have been (other revenue as per FFSS):

- Swedish International Development Cooperation Agency
- Spanish contribution - Annual Regional Forum

The financial statements differ from the budget in the following aspects:

- Basis difference: the budget is approved on partial cash basis system
- Entity differences: the budget deals only with European Commission Grant Agreement framework excluding certain activities.

The difference as per the accounting basis is mainly explained by the activation of the assets and the related amortization for the period:

- Assets activation for 2018 = 295.883 (See note 8 and note 9)
- Amortization for the period = 226.450 (See note 8 and note 9)

The difference as per the entity basis is mainly explained by the inclusion in the financial statement of services in kind such as the rent of the office, cost related to the Grant Agreement N°: EASME/EMFF/2016/1.2.1.1/SI2.738983 (EASME grant) and other minor costs not linked with the European Commission Grant Agreement.

	Actual Budget 2018	Actual FFSS 2018	Accounting Basis	Entity Basis			Difference Actual FFSS and Actual Budget
			Assets	EASME grant agreement	Services in kind (Rent office)	Norway agreement & Others	
Revenue							
European Commission Contribution	4.040.290	3.997.193	-147.942	104.844			-43.097
Member States contribution	1.312.770	1.164.828	-147.942				-147.942
Capital Grant transfer to result		226.450	226.450				226.450
Services in-kind	1.398.333	2.063.497		30.352	634.812		665.164
Other Revenue	1.329.187	1.338.530				9.343	9.343
Interest revenue							0
Total revenue	8.080.580	8.790.498	-69.433	135.196	634.812	9.343	709.918
Expenses							
Operating expenses	2.891.926	2.931.092		39.454		-288	39.167
Wages, salaries and employee benefits	2.956.194	3.023.363		67.169			67.169
Human Resources in kind	1.398.333	1.428.685		30.352			30.352
Supplies and consumable used	834.127	1.173.116	-295.883		634.812	61	338.990
Grant and other transfer payments							0
Depreciation and amortization expenses		226.450	226.450				226.450
Impairment of property, plant and equipment							0
Other expenses							0
Finance costs							0
Total expenses	8.080.580	8.782.707	-69.433	136.975	634.812	-227	702.127
Surplus/(Deficit) for the period	0	7.791	0	-1.779	0	9.569	7.791

There are also differences in formats and classification schemes adopted for presentation of financial statements and the budget. The structure of the budget is presented by headings:



Budget Heading	2018 Budget	2018 Expenditure
<u>Activities-Operational Expenditure</u>	4.050.000	3.640.889
<u>Human Resources</u>	3.650.000	3.648.912
<u>General Administration</u>	700.000	790.779
<u>Contingency Reserve</u>	20.000	0
GRAND TOTAL	8.420.000	8.080.580

Personnel (Budget) = Wages, Salaries and employee benefits (FFSS) – Experts in House

Operational expenditure (Budget) = Operating expenses (FFSS) + Experts in House

The operational expenditure (operating expenses as per FFSS) are shown in the budget as follows:

Line	Item	2018 Budget	2018 Expenditure
1	Activities-Operational Expenditure		
1.1	Technical Support for projects and activities	1.900.000	1.448.389
1.2	Platforms, regional experts groups meetings & conferences	1.400.000	1.497.490
1.3	Follow-up and monitoring for projects and activities	350.000	446.821
1.4	Outreach & visibility for projects and Activities	400.000	248.189
	Subtotal Activities-Operational Expenditure	4.050.000	3.640.889

According to the Activity Based Budget methodology Human Resources is classified as follows:

Line	Item	2018 Budget	2018 Expenditure
2	Human Resources		
2.1	Executive direction and management	1.080.000	929.285
2.2	Advisors and seconded experts	820.000	675.575
2.4	Technical and administrative staff	1.355.000	1.719.252
2.5	Employer Social Security	395.000	324.800
	Subtotal Human Resources	3.650.000	3.648.912

One of the main differences regarding the format and classification scheme is in relation with the "Supplies and consumable used" (FFSS) that includes the amount of General Administration budget excluding the assets (activation of the assets).

Line	Item	2018 Budget	2018 Expenditure
3	General Administration		
3.1	Reinforcing UfM internal capacities	153.000	212.467
3.2	Ensuring sustainability on internal Management	547.000	578.312
	Subtotal General Administration	700.000	790.779

NOTE 23. RELATED PARTIES AND KEY MANAGEMENT DISCLOSURE

The key management personnel of the UfMS consists of the Secretary General and Deputy Secretaries General as they have the executive authority and responsibility for the overall running of the UfMS in accordance with its Statutes. The aggregate remuneration paid to key management personnel during the years ended in December 2018 and 2017, except the Deputy Secretaries General paid by their countries, including salaries, allowances and other entitlements paid in accordance with the Staff Rules and Regulations have amounted to 90.500 euros and 180.000 euros, respectively. The amounts informed by



the countries regarding to the salaries paid to the Deputy Secretaries General is 556.769 euros for 2018 and 399.058 euros for 2017.

There are no advances or credits conceded, nor have there been contracted bonds for pensions or life insurance with any member, actual or old, of the Key management personnel.

NOTE 24. EVENTS AFTER THE REPORTING DATE

After the closing date, no material issues came to the attention of the UfM Secretariat or were reported to it which would require modification of the Financial Statements or separate disclosure under this section. The Financial Statements and related notes were prepared using the most recently available information and this is reflected in the information presented.

